

MONTHLY NEWS UPDATE FROM KHABAROVSK

NOVEMBER 2003

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This Monthly News Update provides news briefs on the major economic and social developments during October 2003 in the Russian Far East Federal District, Khabarovsk Krai, Jewish Autonomous Region, Amurskaya Oblast, Buryatia Republic and Chitinskaya Oblast focusing on the following sectors:

Russian Far East Federal District: Transportation Industry

Khabarovsk Krai: Government, Banking & Investment, Mining Industry, Foreign Affairs & Tourism

Jewish Autonomous Region: Transportation Industry, Mining Industry

Amurskaya Oblast: Foreign Affairs

Buryatia Republic: Social & Economic Development

Chitinskaya Oblast: Social & Economic Development.

RUSSIAN FAR EAST FEDERAL DISTRICT

TRANSPORTATION INDUSTRY

RFE Railroads Report Increased Cargo Turnover

During October 2003, the cargo turnover of the Russian Far East Railroads has increased 12.8 percent. Victor Popov, the Head of the RFE branch of the Russian Railroads emphasizes stable increase of the operating characteristics of the railroad. Starting January 2003, nearly 4,000 heavy cargo trains with the overall weight exceeding 6,000 tons each have been transported via the electrified Trans-Sib. The volume of the transit high-capacity containers transported from the Asian Pacific to the Western Europe has increased 30 percent.

(Source: www.dfo.ru)

KHABAROVSK KRAI

GOVERNMENT

Krai Government Sets Living Wage Value

The Government of the Khabarovsk Krai has set the value of the living wage for various groups of the Krai population for the third quarter of the 2003. The average living wage for working population is set as 3,222.77 rubles (\$107), retired population - 2,249.57 (\$75.2), children under 7 years of age - 2,517.42 rubles (\$84.2) and children from 7 to 15 years of age - 2,993.03 (\$100). The values may vary slightly for population of northern and southern districts of the Krai.

(Source: TOZ)

BANKING

Krai Government Auctions Its Share of Dalcombank's Stock

On November 19, 2003, the Khabarovsk Krai government will auction its share of the Far Eastern Commercial Bank (Dalcombank) JSC stock. The Krai government currently owns

26.05 percent of the Bank's stock or 159,030 shares. The nominal cost of one share is 300 rubles (roughly \$10).

(Source: Priamurskiye Vedomosti)

New Twist of the Vneshtorgbank's Golden Program

Vneshtorgbank has accepted new terms for crediting of the gold mining companies during the 2004 mining season. In addition to the "season" credits, the cartels are now able to obtain medium-term financing for production update and exploration of the new deposits. The Bank is successfully implementing its Golden Program since 1997. For the 2004 mining season it plans to deliver \$235 million (a \$74 million increase to the 2003 season). Khabarovsk Krai gold mines will account for nearly half of that volume - \$107 million.

(Source: TOZ)

MINING INDUSTRY

Khakanadzhi Gold Mine Produced Its First Gold

The Khakanadjinskiy silver and gold mine, located in Okhotskiy District of the Khabarovsk Krai reported its first production after the close down in the 1970-es. Starting 1999, the Okhotsk Mining and Geological Company, a member of Polymetal Interregional Union headquartered in Saint Petersburg has invested \$64 million into construction of the modern mining and smelting complex. The complex is located 90 kilometers from the Okhotsk City. Its annual production capacity is four tons of gold and 80-85 tons of silver. It will process 1,400 tons of ore daily; the content of gold in the ore is 6.4 grams per one ton and the content of silver is 288 grams.

(Source: TOZ)

Bacterium will extract gold

In 2005, DV-resursi Joint Stock Company from Khabarovsk will construct an ore mining and processing enterprise in Polini Osipenko District of the Khabarovsk Krai, which will utilize biotechnology for ore processing. Such complexes are currently employed in China and Republic of South Africa. The first plant in Russia utilizing this technology was constructed in Krasnoyarsk Krai.

(Source: TOZ)

FOREIGN AFFAIRS & TOURISM

More Japanese Tourists Will Be Coming to the RFE

The representatives of the Khabarovsk Krai tourist agencies took part in the DJATA-2003 international tourism exhibition, held in Tokyo, Japan. The Khabarovsk firms have signed a number of cooperation agreements with their Japanese counterparts, which will contribute to the inflow of the Japanese tourists to the Russian Far East. Japanese travelers traditionally account for 25-30 percent of all foreign visitors to the Khabarovsk Krai. During the first nine months of 2003, over 7 thousand tourists from Japan visited the region. The Chinese account for the major share of all visitors to the Krai.

(Source: Priamurskiye Vedomosti)

Portland Delegates visit Khabarovsk

Mr. Alan Ellis, the President of the Portland-Khabarovsk Sister-City Association and Professor George Beard of the Portland State University's School of Government spent a week in Khabarovsk meeting with the Mayor Sokolov, representatives of the Krai

government and heads of the local universities. The visitors discussed implementation of the existing joint activities including the solid waste-processing project and university partnership and the potential for the development of sister-city relation through cultural, student and business exchanges. The School of Government of the Portland State University plans to submit the grant proposal to the U.S. Department of State for financing of the new university partnership program, which will focus on providing advanced training and exchanges to the public administrators.

(Source: Press Center of the City Administration)

JEWISH AUTONOMOUS REGION

TRANSPORTATION INDUSTRY

The Largest Bridge of the Amur Highway Is Put into Operation

The bridge over the Kamenushka River, part of the Amur Federal Highway connecting Chita and Khabarovsk was recently put into operation. This is the largest bridge on the JAR section of the highway. Over \$3 million of federal funds were used for the construction of the 300-meter bridge and 3 km of access road.

(Source: www.dfo.ru)

MINING INDUSTRY

Large Gold Deposits Are Discovered in Obluchye

The Specialists of the Birobidjan mining and geological enterprise have discovered shows of the large gold deposit in Obluchinskiy District of the Jewish Autonomous Region. The reserves are estimated at 125 tons. In its geological and morphological characteristics, the deposit is similar to that of Carling, USA.

(Source: TOZ)

AMURSKAYA OBLAST

FOREIGN AFFAIRS

Blagoveschensk MFA Rep Office Obtains New Equipment

The representative office of the Russian Ministry of Foreign Affairs in Blagoveschensk has obtained new equipment for an automated drawing of the invitations for foreign visitors to Russia. The system is expected to speed up the invitation issuing procedures for foreigners as well as Russian private businesses and state agencies, which invite foreign travelers to Russia for business, education or medical treatment.

(Source: www.dfo.ru)

Delegates from Baoding Visit Amur

The government of Baoding (Hebei Province), one of the largest and industrialized Chinese cities tends to develop relations with the Amurskaya Oblast. On October 31, Baoding municipal authorities and business executives arrived Blagoveschensk to sign a three-power protocol with the Amur administration and the Heihe city authorities, serving as an

intermediary and assistant in the future interactions. The parties evaluated the perspectives for the opening of a Baoding trade and economic representation office in Blagoveschensk, construction of a pharmaceuticals plant in the Amur, establishment of an international trading center in Blagoveschensk and supplying it with high-quality consumer goods from China, as well as development of the Oblast's technological sector and investment in industrial and agricultural production.

(Source: Press Center of the Amurskaya Oblast Administration)

Chinese Construction Corporation Seeks Cooperation

The delegates from the Yung Tzeng Construction Corporation (China) visited Blagoveschensk in October 2003 to discuss opportunities for cooperation in the construction industry. Yung Tzeng is a large Corporation from Heilongjiang Province and seeks to supply its construction materials to the Amur. During their two-day visit, the delegates met with the Oblast's Deputy Governor, the Heads of the Department for Architecture and Construction of the Amurskaya Oblast Administration and the Chinese firms, operating in Blagoveschensk.

(Source: Press Center of the Amurskaya Oblast Administration)

----- BURYATIA REPUBLIC -----

SOCIAL & ECONOMIC DEVELOPMENT

Buryatiya's Economics Improve

During the first nine months of 2003, the Republic's gross production increased 10 percent to 37.5 billion rubles (\$1.25 billion). The increase of industrial production during January - September was 20.1 percent, while Russia's average was 6.8 percent. Most major industries, including machine building and metal work, fuel, ferrous and non-ferrous metallurgy, construction materials industry and light industry experienced a production increase. During the nine months, the overall volume of foreign trade totaled \$246.8 million. The retail trade turnover has increased 18.2 percent during the period and totaled 16.5 billion rubles (\$550 thousand).

The real income of republic's population has increased 14.5 percent during the period. The average salary has reached 4,779 rubles (\$160), which exceeds the 2002 levels by 25 percent. During 2003, the number of employed population has increased 28 percent and totaled 463.7 people.

(Source: Press Service of the Buryatiya Republic's President and Government)

----- CHITINSKAYA OBLAST -----

SOCIAL & ECONOMIC DEVELOPMENT

Chita Reports Positive Economic Development

The Chitinskaya Oblast industrial output increased 7.2 percent during January - September 2003, over the same period of 2002 and amounted to 11.244 billion rubles (roughly \$ 375 million). The average salaries have increased 30.1 percent to 5,523 rubles (\$184.1). As of September 2003, the cost of the minimal set of food products (food basket) for a working

male was 1,037.15 rubles per person (\$ 34.6) and grew 8 percent since the beginning of 2003. The volume of the living wage is set at 2,300 rubles (increased 3.8 percent).
(Source: Press Service of the Chitinskaya Oblast's Administration)

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